Oceanic Iron Ore Corp.

Annual Financial Statements
For the years ended March 31, 2014 and 2013
(Stated in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Oceanic Iron Ore Corp.

We have audited the accompanying financial statements of Oceanic Iron Ore Corp., which comprise the statements of financial position as at March 31, 2014 and March 31, 2013 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oceanic Iron Ore Corp. as at March 31, 2014 and March 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the IASB.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Oceanic Iron Ore Corp.'s ability to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

July 22, 2014

Oceanic Iron Ore Corp.
Statements of Financial Position

	March 31, 2014	March 31, 2013
Assets		
Current assets		
Cash and cash equivalents	**$ 2,093,897**	$ 2,303,324
Receivables (Note 5)	**695,994**	4,827,780
Marketable securities	**-**	54,429
Prepaid expenses and deposits	**185,713**	251,534
Restricted cash	**34,500**	184,500
	3,010,104	7,621,567
Equipment	**348,720**	467,174
Mineral properties (Note 6)	**38,994,208**	36,443,347
	$ 42,353,032	$ 44,532,088
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 718,977**	$ 369,050
Due to related parties (Note 13)	**14,852**	41,511
Demand loan (Note 7)	**-**	3,123,190
Current portion of advance royalty payable (Note 6)	**175,227**	175,227
	909,056	3,708,978
Advance royalty payable (Note 6)	**358,190**	358,190
Convertible debenture - liability component (Note 8)	**2,312,720**	-
Deferred income tax liability (Note 10)	**246,758**	692,469
	3,826,724	4,759,637
Shareholders' equity		
Share capital (Notes 9(a),9(b))	**52,719,225**	52,719,225
Contributed surplus (Notes 9(c), 9(d), 9(e))	**8,308,310**	7,710,507
Convertible debenture - equity component (Note 8)	**562,011**	-
Deficit	**(23,063,238)**	(20,657,281)
	38,526,308	39,772,451
	$ 42,353,032	$ 44,532,088

Nature of operations and going concern (Note 1)
Commitments (Note 12)
Subsequent events (Note 9(b))

Approved by the Board:

" Steven Dean " Director

" Gordon Keep " Director

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Statements of Loss and Comprehensive Loss for the years ended March 31, 2014 and 2013

	March 31, 2014	March 31, 2013
Expenses		
Consulting and management	**$ 550,000**	$ 959,927
Directors' fees	**36,000**	37,000
Investor relations and corporate development	**297,490**	595,226
License and insurance	**54,384**	45,426
Office and general	**130,586**	147,180
Professional fees	**386,875**	168,147
Rent	**97,333**	96,675
Share-based payments (Notes 9(c), 9(d))	**580,276**	647,333
Transfer agent and regulatory	**77,856**	90,010
Travel	**18,870**	30,414
Wages and benefits	**448,979**	550,932
Loss from operations	**2,678,649**	3,368,270
Other income (expenses)		
Interest income	**83,718**	41,558
Gain on marketable securities	**1,685**	54,429
Income relating to renounced exploration expenditures	**-**	198,830
Interest and other financing expense (Note 11)	**(469,862)**	(82,368)
Other income	**4,626**	13,305
Net loss before income taxes	**(3,058,482)**	(3,142,516)
Deferred income tax recovery (Note 10)	**652,525**	514,193
Net loss and comprehensive loss for the year	**$ (2,405,957)**	$ (2,628,323)
Loss per common share - basic and diluted	**$ (0.122)**	$ (0.142)
Weighted average number of common shares outstanding	**19,661,822**	18,501,658

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Statements of Changes in Equity

For the years ended March 31, 2014 and 2013

	Share capital					
	Number of shares	Amount	Contributed surplus	Convertible debenture	Deficit	Total equity
Balance - April 1, 2013	**196,618,231**	**$ 52,719,225**	**$ 7,710,507**	**$ -**	**$ (20,657,281)**	**$ 39,772,451**
Convertible debenture - equity portion, net of issuance costs (Note 8)	-	-	-	768,825	-	768,825
Share-based payments recognized	-	-	597,803	-	-	597,803
Net loss for the year	-	-	-	-	(2,405,957)	(2,405,957)
Tax recovery of convertible debenture issuance	-	-	-	(206,814)	-	(206,814)
Balance - March 31, 2014	**196,618,231**	**$ 52,719,225**	**$ 8,308,310**	**$ 562,011**	**$ (23,063,238)**	**$ 38,526,308**

	Share capital					
	Number of shares	Amount	Contributed Surplus	Convertible debenture	Deficit	Total equity
Balance - April 1, 2012	**173,961,564**	**$ 49,382,158**	**$ 7,030,759**	**$ -**	**$ (18,028,958)**	**$ 38,383,959**
Private placement - October 10, 2012	21,875,000	3,500,000	-	-	-	3,500,000
Share issue costs	-	(339,589)	-	-	-	(339,589)
Warrants exercised	781,667	85,307	(7,140)	-	-	78,167
Share-based payments recognized	-	-	686,888	-	-	686,888
Net loss for the year	-	-	-	-	(2,628,323)	(2,628,323)
Tax recovery of share issuance costs	-	91,349	-	-	-	91,349
Balance - March 31, 2013	**196,618,231**	**$ 52,719,225**	**$ 7,710,507**	**$ -**	**$ (20,657,281)**	**$ 39,772,451**

The accompanying notes are an integral part of these financial statements

Oceanic Iron Ore Corp.

Statements of Cash Flows

For the years ended March 31, 2014 and 2013

		March 31, 2014		March 31, 2013
Operating activities				
Net loss for the year	$	(2,405,957)	$	(2,628,323)
Adjustments for:				
Deferred income tax (recovery)		(652,525)		(514,193)
Share-based payments		580,276		647,333
Interest income		(83,718)		(41,558)
Gain on marketable securities		(1,685)		(54,429)
Income relating to renounced exploration expenditures		-		(198,830)
Interest and financing expense		469,862		82,368
Net changes in non-cash working capital balances:				
Prepaid expenses and deposits		(9,082)		(13,153)
Receivables		31,864		161,779
Accounts payable and accrued liabilities		16,115		(3,955)
Due to related parties		(26,659)		(371,129)
		(2,081,509)		(2,934,090)
Investing activities				
Mineral property expenditures		(2,584,432)		(6,395,189)
Refundable exploration tax credit received		4,678,315		-
Equipment additions		-		(323,930)
Interest income received		83,592		39,185
Net proceeds from sale of marketable securities		56,114		-
		2,233,589		(6,679,934)
Financing activities				
Private placement, net of share issue costs (Note 9(b))		-		3,160,411
Convertible debenture proceeds, net of issuance costs (Note 8)		2,789,552		-
Interest paid on convertible debenture (Note 8)		(135,000)		-
Demand loan proceeds (Note 7)		-		1,792,977
Demand loan proceeds held as restricted cash (Note 7)		150,000		-
Demand loan repayment (Note 7)		(3,123,190)		-
Interest and other financing fees paid on demand loan (Note 7)		(42,869)		(82,368)
Exercise of warrants (Note 9(e))		-		78,167
		(361,507)		4,949,187
Change in cash and cash equivalents during the year		(209,427)		(4,664,836)
Cash and cash equivalents, beginning of year		2,303,324		6,968,160
Cash and cash equivalents, end of year	$	2,093,897	$	2,303,324
Cash and cash equivalents are comprised of the following:				
Cash	$	93,897	$	603,324
Term deposits	$	2,000,000	$	1,700,000
	$	2,093,897	$	2,303,324
Non cash investing and financing activities				
Repayment on demand loan (Note 7)		-		358,611
Accretion on debt portion of convertible debenture		426,993		-
Accretion on advance royalty payable		120,745		120,744
Tax recovery of convertible debenture issuance		206,814		91,349
Change in mineral property expenditures in accounts payable		333,812		680,259
Share based payments charged to mineral properties		17,527		39,555
Depreciation of equipment charged to mineral properties		118,454		107,448

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Oceanic Iron Ore Corp. ("Oceanic" or the "Company") is an exploration stage company engaged in the acquisition and exploration of iron ore properties in Québec, Canada. The Company was incorporated on March 8, 1986 under the British Columbia Business Corporations Act. The Company maintains its head office at 595 Burrard Street, Suite 3083, Vancouver, British Columbia. The Company's registered/records office is located at 1900-600 Granville Street, Vancouver, British Columbia. Its common shares are traded on the TSX Venture Exchange under the symbol "FEO" as well as the OTCQX in the United States under the symbol "FEOVF".

The Company acquired a 100% interest in certain mining claims (the "Property") located near Ungava Bay, Québec, Canada in November, 2010. The Company is currently conducting exploration activity on the Property.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, there are certain conditions and events that may cast significant doubt on the validity of this assumption. For the year ended March 31, 2014, the Company reported a loss of $2,405,957 and as at that date had an accumulated deficit of $23,063,238 and a working capital balance of $2,101,048. The Company will need to raise sufficient funds in order to finance ongoing exploration, development and administrative expenses over the coming 12 months. The success of raising such funds cannot be assured. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations, the retention of key executive management and the state of global financial and metals markets. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Except for the accounting policies adopted as disclosed in Note 4(a) of these financial statements, the Company has consistently applied the same accounting policies in all periods presented. These financial statements were approved by the board of directors on July 22, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

The significant accounting policies used to prepare these financial statements are outlined as follows:

a) Mineral properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition costs are capitalized and deferred until such time as the property is put into production or the property is disposed of, either through sale or abandonment, or becomes impaired. If a property is put into production, the cost of acquisition will be written off over the life of the property based on estimated economic reserves, with the exception of the advance royalty payable which will be amortized as advance royalty payments are made. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property. If a property is abandoned, the acquisition costs will be written off to operations. Recorded costs of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amounts. Although the Company has taken steps that it considers adequate to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

b) Mineral property exploration expenditures

Once the rights to explore an area have been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of mineral properties. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

c) Impairment of mineral properties

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Evaluating for recoverability during the exploration and evaluation phase requires judgment in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological, geophysical and seismic data, the Company's financial ability to continue exploration and evaluation activities, the impact of government legislation and political stability in the region, and the impact of current and expected future iron ore prices on potential reserves.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

d) Investment tax credits

The Company is eligible to receive investment tax credits ("ITCs") related to certain exploration expenditures. The amount of the ITC reduces the Company's exploration expenses. Due to the uncertainty around the timing and amount of the ITC, it is recorded only when the eligible expense is incurred and there is intent by management to claim the ITC related to the eligible expense.

e) Asset retirement obligations

Asset retirement obligations will be recognized for estimated obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the value of the liability can be made, with the corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. The Company had no asset retirement obligations at March 31, 2014.

f) Cash and cash equivalents

Cash and cash equivalents include amounts held in banks and highly liquid investments with an initial term to maturity of 90 days or less.

g) Translation of foreign currencies

i) Functional and presentation currency: Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Canadian dollars which is the Company's functional currency.

ii) Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recorded in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

h) Loss per share

Basic earnings (loss) per share is calculated by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

i) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated at the following annual rates:

Vehicles	straight-line - 20%
Office furniture and equipment	straight-line - 20%

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Depreciation of equipment used in the Company's exploration and development activities is capitalized to mineral properties.

j) Share issue costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

k) Share-based payments

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. Other share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus, the account used to record any share-based payments related to convertible securities of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

k) Share-based payments (continued)

Consideration received on the exercise of stock options and share purchase warrants is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for stock options that are forfeited before vesting are reversed from contributed surplus.

l) Current and deferred taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas of judgment include the classification of refundable exploration tax credit receivables and the mineral property impairment indicator assessment. Areas of estimates include measurement of advance royalty payables, fair value of the liability component of the convertible debenture (which includes estimates of (i) the amount and timing of cash flows, and (ii) the Company's cost of debt), and measurement and recovery of deferred tax benefits. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements where applicable.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

n) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- Held for trading: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. The Company's marketable securities are classified as held for trading.

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash and cash equivalents, restricted cash, accrued interest receivable and deposits, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, demand loan, liability component of the convertible debenture, advance royalty payable and amounts due to related parties. Accounts payable are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Financial liabilities are classified as current liabilities as payment is due within twelve months. Transaction costs associated with financial liabilities are capitalized to the financial liability and accreted over the life of the financial liability.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY (continued)

o) Flow-through shares

On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability using the residual value method and; ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income relating to renounced exploration expenditures and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

p) Convertible Debenture

The Company's convertible debenture is classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture.

4. RECENTLY ISSUED ACCOUNTING STANDARDS

a) Recently issued and applied accounting standards

IFRS 10 - Consolidated financial statements

The Company adopted IFRS 10 on April 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the financial statements for the current period or prior periods presented as the Company does not have any subsidiaries.

4. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

a) Recently issued and applied accounting standards (continued)

IFRS 11 - Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

IFRS 12 - Disclosure of interests in other entities

The Company adopted IFRS 12 on April 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. The new standard does not have an impact on the financial statements for the current period or prior periods presented as the Company has no subsidiaries, joint arrangements, associates or unconsolidated structured entities.

IFRS 13 - Fair value measurement

The Company adopted IFRS 13 with prospective application from April 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The disclosure requirements of IFRS 13 are incorporated in note 14 of the annual financial statements for the year ended March 31, 2014.

Amendment to IAS 1 - Presentation of Financial Statements

The Company adopted the amendments to IAS 1 on April 1, 2013, with retrospective application. The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

The adoption of the IAS 1 amendments did not have an effect on the Company's financial statements for the current period or prior period.

4. RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

b) Standards not yet effective

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. The required adoption date for IFRS 9 has been deferred from the original adoption date of January 1, 2015 to all annual periods beginning on or after January 1, 2018. The Company has yet to commence assessing the impact of this new standard.

IFRIC 21 - Levies ("IFRIC 21")

IFRIC 21 provides guidance on the accounting for a liability to pay a levy, if that liability is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Levies are imposed by governments in accordance with legislation and do not include income taxes, which are accounted for under IAS 12, Income Taxes or fines or other penalties imposed for breaches of legislation.

The interpretation was issued to address diversity in practice around when the liability to pay a levy is recognized. An example of a common levy is property taxes. IFRIC 21 defines an obligating event as the activity that triggers the payment of the levy, as identified by legislation. A liability to pay a levy is recognized at the date of the obligating event, which may be at a point in time or over a period of time. The fact that an entity is economically compelled to continue to operate in the future, or prepares its financial statements on a going concern basis, does not create an obligation to pay a levy that will arise in a future period as a result of continuing to operate.

IFRIC 21 is required to be adopted for all annual periods beginning on or after January 1, 2014. The adoption of IFRIC 21 is not expected to have an effect on the Company's financial statements or disclosures.

5. RECEIVABLES

	March 31, 2014	March 31, 2013
Input tax credits	$ 102,912	$ 77,562
Refundable exploration tax credits	591,000	4,737,613
Interest and other receivables	2,082	12,605
	$ 695,994	**$ 4,827,780**

Refer to note 7 for additional disclosure on refundable exploration tax credits.

6. MINERAL PROPERTIES - UNGAVA BAY

a) Acquisition costs

		March 31, 2014		March 31, 2013
Balance - Beginning of year	**$**	**18,007,341**	$	17,886,597
Additions				
Accretion of advance royalty payable		200,000		120,744
Balance - End of year	**$**	**18,207,341**	$	18,007,341

b) Exploration costs

		March 31, 2014		March 31, 2013
Cumulative exploration costs - Beginning of year	**$**	**18,436,006**	$	12,631,952
Expenditures during the period				
Permitting & claims		**248,377**		191,911
Drilling		**28,000**		219,999
Fieldwork & geology*		**749,765**		1,138,905
Consultants		**354,945**		2,054,141
Salaries*		**224,796**		241,326
Fuel		**3,908**		167,024
Mapping & imagery		**228,312**		74,507
Assays & metallurgy		**70,014**		896,488
Equipment & supplies		**266,252**		254,807
Accomodation		**158,094**		212,666
Transportation		**431,646**		818,003
Exploration tax credit refund claim		**(531,702)**		(573,171)
Equipment depreciation		**118,454**		107,448
Exploration expenditures for the period		**2,350,861**		5,804,054
Cumulative exploration costs - End of year	**$**	**20,786,867**	**$**	**18,436,006**

Grand total - mineral properties	**$**	**38,994,208**	$	36,443,347

* Includes a portion of share-based payments of $17,527 (2013: $39,555).

6. MINERAL PROPERTIES - UNGAVA BAY (continued)

b) Exploration costs (continued)

Under the terms of the acquisition of the Property, the Company must pay advance net smelter return ("NSR") payments of $200,000 per year until the commencement of commercial production. The aggregate advance NSR payments will then be credited against all future NSR payments payable from production. The advance NSR payments included in the purchase price represent the present value of advance payments to the Vendors until the estimated date of commencement of commercial production. The Company discounted the advance NSR payments using a discount rate of 20%, representing the estimated rate of return of similar investments at the date of acquisition. The advance royalty balance will be accreted up to the date of ultimate NSR advance payment, resulting in an increase to mineral property acquisition costs and the advance royalty payable. For the year ended March 31, 2014, accretion of the advance royalty payable totaled $200,000 (2013: $120,744).

7. DEMAND LOAN

The Company is eligible to receive a refundable tax credit of 38.75% of eligible exploration expenditures incurred in Québec ("Exploration tax credits"). The refundable tax credit can only be claimed in conjunction with the filing of the Company's annual corporate tax return.

In order to monetize the refundable tax credits due for the year ended March 31, 2012, the Company entered into a demand loan agreement with National Bank of Canada ("National Bank") on December 5, 2011 to borrow up to $4,500,000, representing a portion of the estimated Québec Exploration refundable tax credits receivable from Revenu Québec based on the Company's eligible expenditures to March 31, 2012.

The Company provided the bank security by way of charges on its 2011 and 2012 Québec Exploration tax credits receivable, a general assignment of the Company's personal and movable property and a $150,000 cash pledge to Investissement Québec, the guarantor of the loan. The loan was amended to be repaid on the earlier of (a) September 30, 2013 or (b) upon collection of the Québec Exploration tax credits, which were assigned to Investissement Québec. The demand loan bears interest at National Bank's prime rate payable on a monthly basis. Interest expense for the year ended March 31, 2014 was $42,869 (2013: $82,368).

On September 9, 2013, the Company received Exploration tax credits in the amount of $4,678,315 and $3,123,190 of the Exploration tax credits received were used to pay the demand loan in full.

		March 31, 2014		March 31, 2013
Demand loan - Beginning of year	**$**	**3,123,190**	$	1,688,824
Proceeds		**-**		1,792,977
Less: Repayment of loan		**(3,123,190)**		(358,611)
Demand loan - End of year	**$**	**-**	**$**	**3,123,190**

8. CONVERTIBLE DEBENTURE

On May 23, 2013, the Company completed a non-brokered financing of $3 million by way of issuance of a convertible debenture, which bears interest, payable quarterly, at a rate of 6% over a 30 month term.

The principal amount of the debenture is convertible to common shares of the Company at a price of $0.16 per share at the election of the subscriber. In addition, and subject to receipt of all required regulatory approvals, the Company has the right at any time to pay all or any part of the unpaid principal in respect of the debenture in common shares, where the issue price of each common share will be equal to the volume weighted average trading price for the 20 days prior to the date of notice of the conversion.

In the event that the volume weighted average trading price of common shares is equal to or greater than $0.16 per share for any 20 consecutive trading day period during the term of the debenture, the principal and interest owing under the debenture will be automatically converted into common shares of the Company.

For accounting purposes, the convertible debenture is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debenture assuming a 20% effective interest rate which was the estimated rate for a convertible debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the convertible debenture at the time of issuance.

Issuance costs of $210,448 were incurred and have been recorded against the liability and equity components and are being accreted to the statements of loss and comprehensive loss over the life of the convertible debenture. Accretion and other financing expense for the year ended March 31, 2014 was $426,993 (2013: $nil).

	Liability component	Equity component	Total
Opening balance - April 1, 2013	$ -	$ -	$ -
Issued - amount at date of issue (May 23, 2013)	2,173,174	826,826	**3,000,000**
Issuance costs allocated	(152,447)	(58,001)	**(210,448)**
Deferred income tax liability	-	(206,814)	**(206,814)**
Amortization of issuance costs	50,816	-	**50,816**
Accretion of discount	376,177	-	**376,177**
Interest payment	(135,000)	-	**(135,000)**
Balance - March 31, 2014	**$ 2,312,720**	**$ 562,011**	**$ 2,874,731**

9. SHARE CAPITAL

(a) Share Capital

Unlimited common and preferred shares without par value

(b) Issued and fully paid common shares

On October 10, 2012, the Company completed a brokered private placement comprising 21,875,000 common shares, at a price of $0.16 per common share for gross proceeds of $3,500,000. The Company incurred cash share issue costs in the amount of $339,589 in connection with the private placement.

On July 2, 2014, the Company's common shares were consolidated on the basis of one post-consolidated share for every ten pre consolidated shares. The weighted average common shares outstanding and loss per common share for the years ended March 31, 2014 and March 31, 2013 has been retrospectively restated to present post-consolidation amounts. All other figures in these annual financial statements are presented in the pre-consolidation amounts.

Shares in escrow

All remaining shares held in escrow were released on December 3, 2013.

(c) Restricted Share Units ("RSUs")

At the Company's annual general meeting held on November 28, 2013, the Company's shareholders approved the implementation of an RSU plan, whereby RSUs may be granted to directors, officers, or key employees at the discretion of the Board of Directors. The RSU plan provides for the issuance of common shares from treasury upon the exercise of vested RSUs at no additional consideration. The current maximum number of common shares authorized for issue under the RSU plan is 19,661,823. The RSUs have vesting conditions determined by the Board of Directors.

A summary of the changes in RSUs is as follows:

	Number of RSUs
Balance - April 1, 2013	-
Granted	4,764,063
RSUs outstanding - March 31, 2014	**4,764,063**
RSUs exercisable - March 31, 2014	**-**

9. SHARE CAPITAL (continued)

***(c) Restricted Share Units** (continued)*

Subsequent to the approval of the RSU plan by shareholders, on November 28, 2013, the Company granted a total of 4,764,063 RSUs to directors, officers and employees of the Company. The vesting period for the RSUs granted is as follows: 1/3 on the first anniversary, 1/3 on the second anniversary, and 1/3 on the third anniversary. Each RSU has a fair value of $0.10 which was the closing share price at the grant date. The fair value of the RSUs in the amount of $476,406 will be recognized over the vesting periods of the RSUs.

RSU expense for the year ended March 31, 2014 was $53,465 (2013: $Nil), of which $49,783 (2013: $Nil) was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss and $3,682 (2013: $Nil) was capitalized to mineral properties.

(d) Stock options

The Company has established a rolling stock option plan (the "Plan") in compliance with the TSX Venture Exchange's policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and the term of any option granted under the Plan may not exceed ten years. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. Each option vesting period is determined on a grant by grant basis. Stock options are settled through the issuance of the Company's common shares.

A summary of the changes in stock options is as follows:

	Options		Weighted average exercise price
Options outstanding - April 1, 2012	15,438,500	$	0.48
Granted	5,805,000		0.22
Forfeited	(1,600,000)		0.53
Options outstanding and exerciseable - March 31, 2013 and 2014	**19,643,500**	**$**	**0.16**

On November 28, 2013, the Company re-priced a total of 19,643,500 stock options, with original exercise prices ranging from $0.19 to $0.83 and expiry dates ranging from May 28, 2017 to January 18, 2023, to $0.16 per option. The incremental fair value granted as a result of the modification was $256,943 and was expensed during the year. The incremental fair value is the difference between the value of the options at the modification date calculated using the original exercise prices and the modified exercise price.

The weighted average fair value of the options granted for the year ended March 31, 2013 was $0.15 per option (before the effect of the re-pricing). The exercise price for all stock option grants during the year ended March 31, 2013 was equal to the market price at the time of grant with the exception of 1,000,000 stock options granted to an officer of the Company on October 18, 2012 whereby the exercise price was $0.27 and the market price at the time of grant was $0.19.

9. SHARE CAPITAL (continued)

(d) Stock Options *(continued)*

The following table summarizes information about stock options outstanding at March 31, 2014:

	Options outstanding and exerciseable	
Weighted average exercise price ($)	Number	Expiry date
0.16	250,000	May 28, 2017
0.16	5,263,500	November 30, 2020
0.16	3,500,000	January 5, 2021
0.16	300,000	January 11, 2021
0.16	100,000	April 5, 2021
0.16	1,500,000	May 18, 2021
0.16	3,175,000	December 16, 2021
0.16	1,000,000	May 25, 2022
0.16	1,500,000	October 18, 2022
0.16	3,055,000	January 18, 2023
0.16	**19,643,500**	

(e) Share purchase warrants

At March 31, 2014, the Company had outstanding share purchase warrants exercisable to acquire 37,837,500 shares as follows:

	Number	Weighted average exercise price	Expiry date
Balance - April 1, 2012	38,619,167	$ 0.92	-
Exercised	(781,667)	(0.10)	June 9, 2012
Balance, March 31, 2013 and 2014	**37,837,500**	**$ 0.94**	

The following table summarizes information about share purchase warrants outstanding at March 31, 2014:

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
6,562,500	$ 0.65	November 30, 2015	1.7
28,400,000	1.00	November 30, 2015	1.7
2,875,000	1.00	December 22, 2016	2.7
37,837,500	**$ 0.94**		**1.7**

10. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

		March 31, 2014		March 31, 2013
Net loss before income taxes	$	(3,058,482)	$	(3,142,516)
Canadian federal and provincial income tax rates		26.90%		26.90%
Expected Income tax recovery		(822,732)		(845,337)
Increase (decrease) due to:				
Non-deductible expenses and other		170,207		97,146
Tax deductions renounced to investors		-		233,998
Income tax recovery	$	(652,525)	$	(514,193)

Recognized deferred tax assets and liabilities of the Company, which are all based in Canada, were comprised of the following:

	March 31, 2014	March 31, 2013
Deferred income tax assets		
Non-capital losses	3,503,762	1,622,780
Share and debt issue costs	201,532	260,929
Equipment	30,947	30,201
Total deferred income tax assets	3,736,241	1,913,910
Deferred income tax liabilities		
Convertible debenture	189,952	-
Mineral property costs	3,793,047	2,606,379
Deferred income tax liabilities	3,982,999	2,606,379
Deferred income tax liability, net	246,758	692,469

The deferred tax balance at March 31, 2013 falls due in more than 12 months.

The composition of deferred tax expense (recovery) is as follows:

		March 31, 2014		March 31, 2013
Non-capital losses	$	(1,821,585)	$	(1,264,267)
Mineral property costs		1,186,668		676,181
Convertible debt		(16,862)		-
Share issue costs		-		91,349
Equipment		(746)		(17,456)
	$	(652,525)	$	(514,193)

10. INCOME TAXES (continued)

The continuity of the changes in the Company's net deferred tax liability is as follows:

	March 31, 2014	March 31, 2013
Net deferred tax liability, beginning of year	**$ 692,469**	$ 1,298,011
Deferred tax expense during the year	**(652,525)**	(514,193)
Deferred taxes charged to equity	**206,814**	(91,349)
Net deferred tax liability, end of year	**$ 246,758**	$ 692,469

The composition of the unrecognized deferred tax asset is provided in the table below:

	March 31, 2014	March 31, 2013
Non-capital losses	**$ 106,327**	$ 209,729
Capital losses	**65,435**	49,846
Donations	**13,100**	10,495
	$ 184,862	$ 270,070

The Company has loss carry-forwards of $13,420,436 that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

Expiry date	**March 31, 2014**	March 31, 2013
March 31, 2014	**$ -**	$ 382,209
March 31, 2015	**395,266**	395,266
March 31, 2026	**162,769**	162,769
March 31, 2027	**15,624**	15,624
March 31, 2028	**237,037**	237,037
March 31, 2029	**213,861**	213,861
March 31, 2030	**270,804**	270,804
March 31, 2031	**203,390**	203,390
March 31, 2032	**2,764,167**	2,764,167
March 31, 2033	**6,443,859**	2,167,175
March 31, 2034	**2,713,659**	-
	$ 13,420,436	$ 6,812,302

At March 31, 2014, the Company has not recognized a tax benefit on the losses expiring in 2015 given it is unlikely that these benefits will be realized before expiry.

11. INTEREST AND OTHER FINANCING EXPENSE

	March 31, 2014	March 31, 2013
Interest expense on demand loan	**$ 42,869**	$ 82,368
Accretion of discount on convertible debenture	**376,177**	-
Amortization of issuance costs on convertible debenture	**50,816**	-
	$ 469,862	$ 82,368

12. COMMITMENTS

Effective March 1, 2011 (amended on July 1, 2012); the Company entered into an agreement with an affiliated company, with a director and officer in common, in respect of shared lease, overhead and service costs. Under the agreement, the Company is billed quarterly for office rental and other services relating to its office in Vancouver. The agreement expires on September 29, 2015. Either party may terminate the agreement by providing 90 days' notice.

Effective May 25, 2012, the Company entered into an agreement with Monit International Inc. in respect of the leasing of office space in Montreal, Québec. The agreement expires on January 31, 2023, but the Company may terminate the agreement effective December 31, 2016 with six months' notice.

As part of the acquisition of the Ungava Bay mineral properties, commencing on November 30, 2011, Oceanic must pay advance net smelter royalty ("NSR") payments of $200,000 per year, which will be credited against all future NSR payments payable from production. The Company made its third annual payment on November 8, 2013.

The committed charges for the Company are as follows:

March 31,	Vancouver office rent	Montreal office rent	NSR payments	Total commitments
2015	35,916	130,784	200,000	**366,700**
2016	-	132,973	200,000	**332,973**
Thereafter	-	175,761	400,000	**575,761**
	$ 35,916	**$ 439,518**	**$ 800,000**	**$ 1,275,434**

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

a) Key Management Compensation

Key management includes the Company's directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. Compensation awarded to key management is presented in the table below:

		March 31, 2014		March 31, 2013
Wages and benefits	**$**	**275,000**	$	282,481
Consulting fees		**490,000**		535,000
Directors' fees		**36,000**		37,000
Share-based payments		**477,669**		550,210
	$	**1,278,669**	$	1,404,691

b) Payments for services by related parties

During the year ended March 31, 2014, the Company incurred corporate consulting fees of $330,000 (2013: $330,000), to Sirocco Advisory Services Ltd., a company controlled by a director and officer of the Company.

During the year ended March 31, 2014, the Company incurred corporate consulting fees of $160,000 (2013: $160,000), to Shariff Advisory Services Ltd., a company controlled by an officer of the Company.

As disclosed in note 12, the Company is charged shared lease, overhead, and service costs by Spur Ventures Inc., a company with a director and officer in common. For the year ended March 31, 2014, the Company incurred $138,002 (2013: $124,709) in shared lease, overhead, and service costs. Refer to note 12 for a listing of future commitments in respect of such lease costs.

Amounts due to related parties at March 31, 2014 amounted to $14,852 (March 31, 2013: $41,511). All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. None of the amounts due to related parties are secured against assets of the Company.

14. FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, marketable securities, receivables, deposits, restricted cash, accounts payable, accrued liabilities, demand loan, liability component of the convertible debenture, advance royalty payable and due to related parties. Cash and cash equivalents, restricted cash, accrued interest receivable, deposits and amounts due from related parties are designated as loans and receivables and are measured at amortized cost.

Marketable securities are designated as held for trading financial assets and are measured at fair value.

14. FINANCIAL RISK MANAGEMENT (continued)

Accounts payable and accrued liabilities, demand loan, advance royalty payable, the liability component of the convertible debenture and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents and receivables. The Company has concentration of risk with respect to cash being held with two large Canadian financial institutions. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and the Company's cash needs over the short term. Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2014 and 2013 are presented below.

March 31, 2014

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 718,977	$ -	$ -	$ 718,977
Due to related parties	14,852	-	-	14,852
Convertible debenture	180,000	3,120,000	-	3,300,000
Demand loan	-	-	-	-
Advance royalty payable	200,000	600,000	-	800,000

March 31, 2013

	Less than 1 year	1 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 369,050	$ -	$ -	$ 369,050
Due to related parties	41,511	-	-	41,511
Demand loan	3,123,190	-	-	3,123,190
Advance royalty payable	200,000	600,000	200,000	1,000,000

14. FINANCIAL RISK MANAGEMENT (continued)

Financial Instrument Risk Exposure (continued)

The Company's ability to continue operations in the normal course of business is dependent on several factors, including the ability to secure additional financing. In addition, the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production, all of which are uncertain. Further information relating to liquidity risk is disclosed in Note 1.

Market Risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in trading its marketable securities as well as its cash and cash equivalents. The Company manages market risk by investing in diverse industries and companies.

The Company's financial instruments are not subject to significant fluctuation due to changes in equity prices of investments included in marketable securities, commodity prices or foreign exchange rates.

The Company also invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of instruments with a history of returns. A 1% change in interest rates would have a $20,345 impact on net loss and comprehensive loss.

Fair Value

A three-level hierarchy for fair value measurements exists based upon the significance of inputs used in making fair value measurements:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

At March 31, 2014, marketable securities were categorized as level 1.

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, receivables, restricted cash, the liability component of the convertible debenture and the demand loan approximate their fair values due to their short term nature.

15. MANAGEMENT OF CAPITAL

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions and also taking into consideration externally imposed capital requirements. The annual and updated budgets are approved by the board of directors. As a matter of carrying out the Company's objectives, the Company may issue new equity or incur debt.

In order to maximize ongoing development efforts, the Company does not pay dividends.

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations. The Company has no externally imposed capital requirements as at March 31, 2014. Further information relating to management of capital is disclosed in Note 1.